

The Performance of Exports and Imports in India Under Post-Liberalisation Era

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Introduction

International trade is important to increase economic welfare in terms of increase in income and employment of the trading countries. It helps the countries to benefit from economic transactions due to territorial division of labor. Economic development is one of the main objectives of every society in the world. There are several economic and non-economic factors affecting economic growth and development of foreign trade and all these play an important role. Trade serves as an important engine of economic growth and can be a high way of learning new ideas and creativity relating to foreign trade. Further, Foreign trade is important to the economy because of a county's need to import a variety of goods and services.

This paper examines the value of export and import and important commodities exported and imported in the balance of trade over a period of time. For this purpose the study focuses on a period of fifteen years from 1995-96 to 2009-10.

STATEMENT OF THE PROBLEM

Since the liberalization of Indian economy in 1991, India has experienced both positive and negative impacts of the globalization process. Every nation aims at economic growth so as to improve the standard of living of their citizens. Export is one of the important means of source to achieve the social objectives. Trends in foreign trade in India reflect their higher level of imports as compared to India's exports, resulting in a deficit balance of trade. The magnitude of the deficit has been quite substantial.

The post-reform analysis reveals that India's exports not only experienced change in the growth rate but also manifests a structural change during the reform period. However, the responses from different sectors are different. As far as the composition of exports on aggregate basis is concerned, the trend which started way back in the 1970's continued even during the reform period.

OBJECTIVES

- 1) To study the Trends in value of imports and exports in the study period (from 1995–96 to 2009–10)
- 2) To analyse the position of balance of trade in India over the study period.
- 3) To study the composition of various commodities exported and imported by India during the study period.

HYPOTHESES

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- (1) There is significant progress of exports and imports under post-liberalization period.
- (2) Commodity composition of export goods in India against the percentage value of manufactured commodities is higher.

METHODOLOGY

The required data have been collected from secondary sources like survey and other documents from Reserve Bank of India Bulletin. Further, other information has been collected from books and articles published in different journals related to the Trade.

The present study covers the period from 1995-96 to 2009-10. The collected data have been classified and tabulated according to framed objectives. The statistical tools, viz., growth rate, percentage, and trend line have been employed. Diagrammatic representations have also been incorporated. The results of interpretation are also presented.

RESULTS AND DISCUSSION

After the introduction of the Liberalization policy, Exports and Imports have increased. Table-1 exhibits the summary of balance of trade in India from 1995-96 to 2009-10.

Table -1: Balance of trade from 1995-96 to 2009-10

(million US \$)

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Year	Exports	Imports	Trade balance
1995-96	32,311	43,670	-14,354
1996-97	34,133	48,948	-14,815
1997-98	35,680	51,187	-15,507
1998-99	34,298	47,544	-13,246
1999-00	37,542	55,383	-17,841
2000-01	45,452	57,912	-12,460
2001-02	44,703	56,277	-11,574
2002-03	53,774	64,464	-10,690
2003-04	66,285	80,003	-13,718
2004-05	85,206	1,18,908	-33,702
2005-06	1,05,152	1,57,056	-51,904
2006-07	1,28,888	1,90,670	-61,782
2007-08	1,66,162	2,57,629	-91,467
2008-09	1,89,001	3,08,821	-1,19,520
2009-10	1,82,235	3,00,609	-1,18,374

Source: Economic survey Government of India from 1995-96 to 2009-2010.

The table -1 shows the volume of exports, volume of imports and trade balance in Million US \$ from 1995-96 to 2009-10. In all the years the trade balance was deficit. In 1995-96 the trade balance was 14.354 million US \$. In 1997-98 the trade balance was 15,507 million US \$. The deficit increased to 17,841 million US \$ in 1999-2000. It decreased to 13,718 million US \$ in 2003-04. In 2005-06 the trade balance was 51,904 million US \$. In 2007-08 the trade balance was 91,467 million US \$. It increased to 1,19,520 million US \$ in 2008-09. It declined to 1,18,374 million US \$ in 2009-10.

In 1995-96 the exports was 32,311 million US \$. In 1999-2000 it increased to 37,542 million US \$ In 2000-01 the export was worth 45,452 million US \$. In 2005-06 it increased to 1,05,152 million US \$. In 2008-09 the exports was 1,89,001 million US \$. It declined to 1,82,235 million US \$ in 2009-10.

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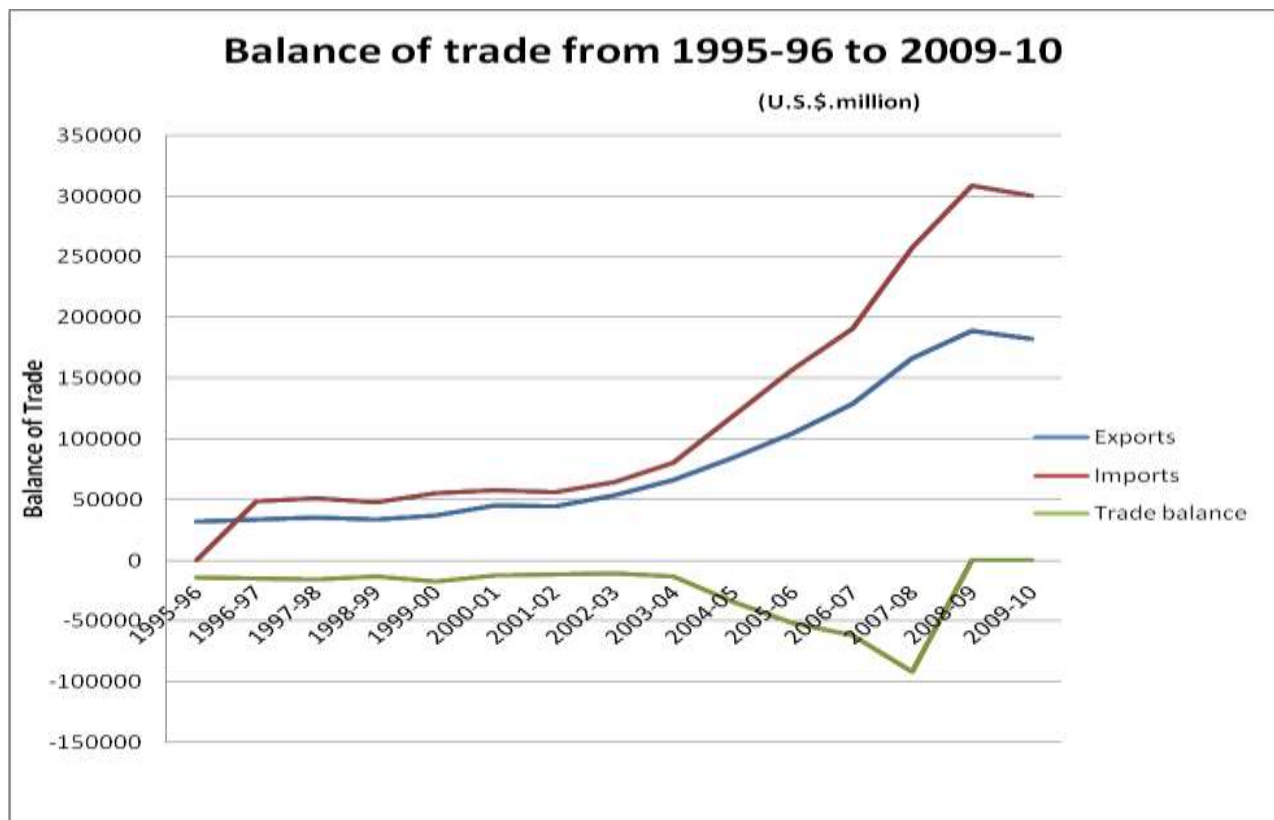
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In 1995-96 the import was worth 43, 670 million US \$. In 2000-01 the import was worth 57,912 million US \$. In 2003-04 it increased to 80,003 million US \$. In 2006-07 the import was worth 1,90,670 million US \$. In 2008 -09 it increased to 3,08,821 million US \$. In 2009-10 the import was worth 3,00,609 million US \$. The Figure no:1 has been highlighted by negative Trade balance. Hence the first null hypothesis has been proved empirically.

Figure no:- 1



The following table explains the India's Share in world trade for the selected years from 1995 to 2010.

Table -2: ANNUAL GROWTH RATE OF EXPORTS IN PERCENT FROM 1995-96 to 2009-10

Year	India's total exports (Rs.Billion)	Annual growth rate in percent	X	X ²	XY	Y _c
1995-96	1063.53	-	-7	49	-7444.71	-221.08
1996-97	1188.17	11.71	-6	36	-7129.02	321.11
1997-98	1301.01	9.49	-5	25	-6505.05	863.3
1998-99	1397.53	7.41	-4	16	-5590.12	1405.49
1999-00	1595.61	14.17	-3	9	-4786.83	1947.68
2000-01	2035.71	27.58	-2	4	-4071.42	2489.87
2001-02	2090.18	2.67	-1	1	-2090.18	3032.06
2002-03	2551.37	22.06	0	0	0	3574.25
2003-04	2933.67	14.98	1	1	2933.67	4116.44
2004-05	3753.4	27.94	2	4	7506.8	4658.63
2005-06	4564.18	21.6	3	9	13692.54	5200.82
2006-07	5717.79	25.27	4	16	22871.16	5743.01
2007-08	6558.64	14.7	5	25	32793.2	6285.2
2008-09	8407.55	28.19	6	36	50445.3	6827.39
2009-10	8455.34	0.56	7	49	59187.38	7369.58
N=15 Total	∑y= 53613.68	228.33	∑X=0	∑X² =280	∑XY151813	53613.75

Source:

1. Government of India Ministry of Micro, Small and Medium Enterprises, Annual Report 2010-2011.

2. RBI Bulletin, June 2011,

$N = 15$ $\sum X = 0$ $\sum X^2 = 280$ $\sum Y = 53613.68$ $\sum XY = 151812.72$ $Y_c = a + bx$	$\sum Y = Na + b\sum X = 53613.68 = 15a + b(0)$ $53613.68/15 = a + b(0)$ $a = 3574.245333$	$\sum XY = a\sum X + b\sum X^2 = 151812.72 = a(0) + b(280)$ $151812.72/280 = a(0) + b$ $b = 542.1883$
	$Y_c = a + bx = Y_c = 3574.25 + 542.19x$	

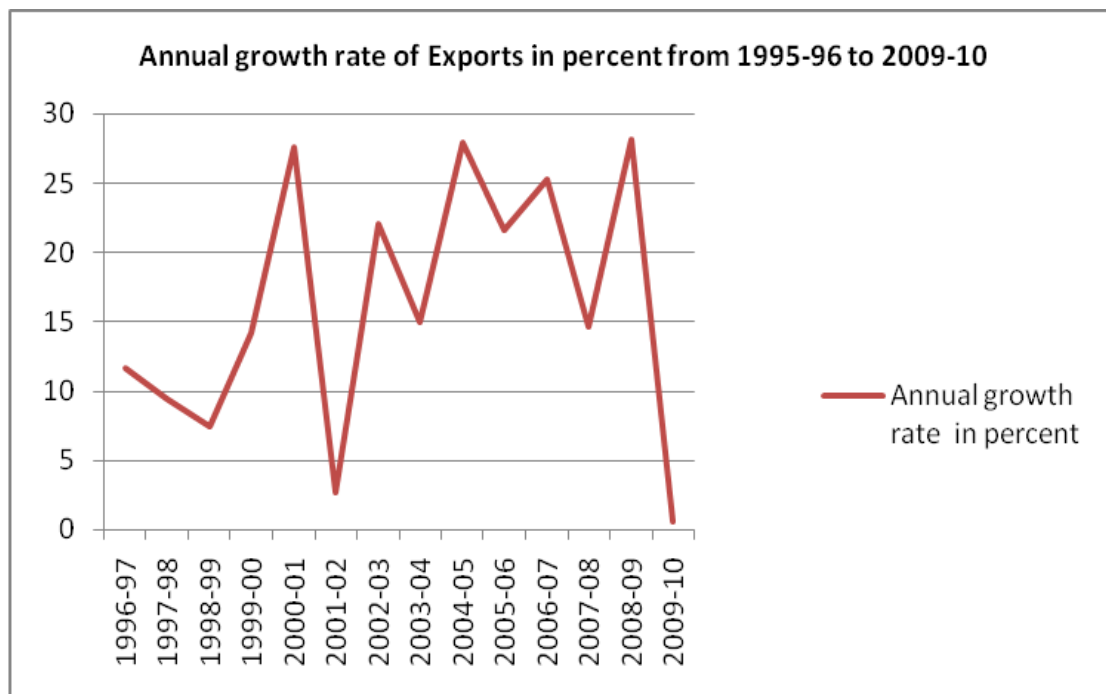
Y_c for the year of 2015 = $Y_c = 3574.25 + 542.19x$

If $X = 12 = Y_c = 3574.25 + 542.19 \times 12 = 10080.53$
 $= Y_c = 10080.53$

The table-2 shows India's exports and its annual growth rate from 1995-96 to 2009-10. The annual growth rate was recorded as 11.71 per cent during the year 1998-99. In 2000-01, the growth rate was calculated as 27.58 per cent. In 2000-02 the growth rate was recorded only 2.76 per cent. It increased to 22.06 per cent during the year 2002-03. In 2004-05 the annual growth rate was calculated as 27.94 per cent. It significantly declined to 21.60 per cent in 2005-06. It increased to 25.27 per cent in 2006-07. The annual growth rate was recorded as 14.70 per cent during the year 2007-08. In 2008-09 it increased to 28.19 per cent. It significantly declined and it was calculated as 0.56 per cent in 2009-10.

The increase in annual growth rate was the highest in 2008-09 and is recorded as 28.19 percent. The decrease in annual growth rate was the highest in 2009-10 and it is calculated as 0.56 percent. It has been highlighted in figure-2.

Figure-2



The following table explains that the commodity composition of India's exports from 2005-06 to 2009-10.

**TABLE- 3: THE COMMODITY COMPOSITION OF EXPORTS
FROM 2005-06 TO 2009-10**

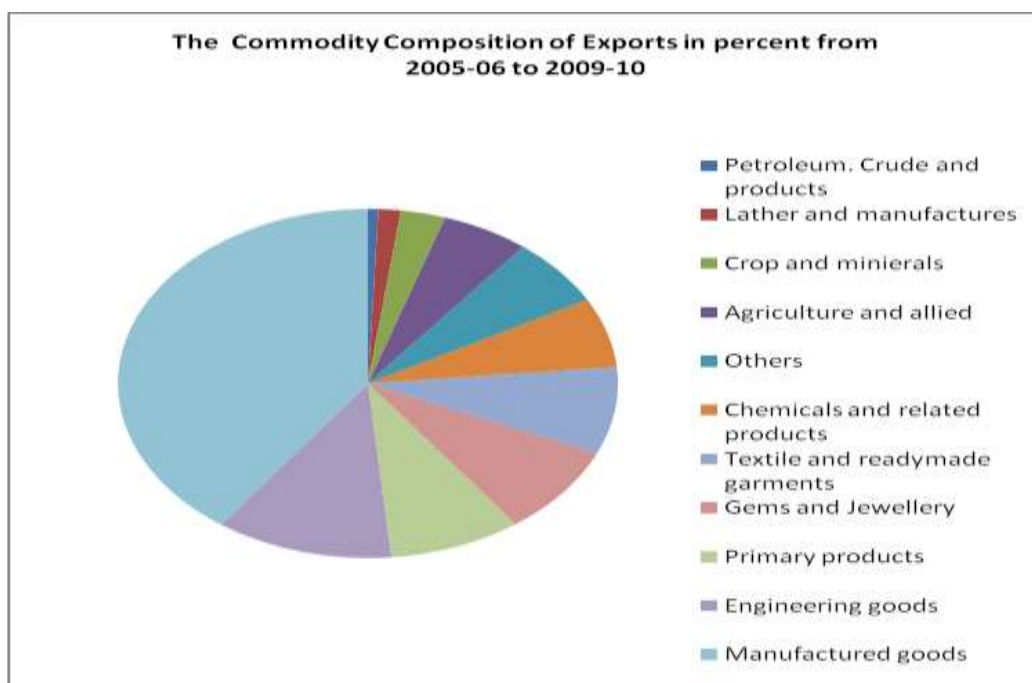
Commodity group	2005-06	2006-07	2007-08	2008-09	2009-10
Petroleum. Crude and products	1.2	1.1	0.9	0.6	0.5
Leather and manufactured goods	2.6	2.4	2.1	1.9	1.9
Crop and minerals	5.2	4.8	5.5	4.3	4.9
Agriculture and allied	10.2	10.3	9.9	9.6	10.0
Others	11.5	15.0	17.8	14.9	15.8

Chemicals and related products	11.6	11.2	13.0	12.3	12.8
Textile and readymade garments	14.5	12.5	11.2	10.2	10.5
Gems and Jewellery	15.1	12.6	12.1	15.1	16.2
Primary products	15.4	15.1	15.5	13.9	14.9
Engineering goods	20.7	23.3	20.7	21.8	18.2
Manufactured goods	72.0	68.6	64.1	68.9	67.2
Total	100.00	100.00	100.00	100.00	100.00

Source: Economics Survey Government of India from 2005-06 to 2009-10.

The table-3 reveals the commodity composition of India's exports from 2005-06 to 2009-10. In 2005-06 the commodity composition of primary products was recorded as 15.4 percent. In 2009-10 it declined to 14.9 per cent. In 2005-06 the export of agriculture and allied products was calculated as 10.2 per cent and in 2009-10 it significantly declined as 10 percent. In 2005-06, the export of manufactured goods was calculated as 72.0 per cent and in 2009-10 it significantly decreased to 67.2 per cent. In 2005-06 the commodity composition of Gems and Jewellery products was calculated as 15.1 per cent and in 2009-10, it increased to 16.2 per cent. In 2005-06 the export of engineering goods was recorded as 20.7 per cent and in 2009-10 it significantly declined to 18.2 per cent. In 2005-06 the commodity of composition exports of chemicals and related products was calculated as 11.6 per cent and in 2009-10 it declined to 12.8 per cent. In 2005-06 the increased export of other products was calculated as 11.5 per cent and in 2009-10 it increased to 15.8 per cent. The figure-3 illustrates Commodity composition of Export in percent in the study periods. Hence the second null hypothesis has been verified and proved empirically.

Figure-3



The following table explains the commodity composition of India's Imports from 2005-06 to 2009-10.

**TABLE- 4: THE COMMODITY COMPOSITION OF INDIA'S IMPORTS FROM
2005-06 TO 2009-10**

COMMODITY GROUP	2005-06	2006-07	2007-08	2008-09	2009-10
Cereals	0.0	0.7	0.3	0.0	0.0
Pulses	0.4	0.5	0.5	0.4	0.7
Electrical machinery	1.0	1.1	1.2	1.2	1.1
Fertilizers	1.3	1.6	2.0	4.3	2.3
Edible oils	1.4	1.1	1.0	1.1	1.9
Food & allied products	2.5	2.9	2.3	2.1	3.7
Chemicals	5.7	5.2	4.9	5.0	5.2
Transport equipment	5.9	5.1	8.0	4.4	4.1
Pearls, precious & semi precious stones	6.1	4.0	3.2	5.5	5.6
Machinery except electrical machinery	7.4	7.5	7.9	7.8	7.4
Gold & silver	7.6	7.9	7.1	7.2	10.3
Electronic goods	8.9	8.6	8.2	7.7	7.3

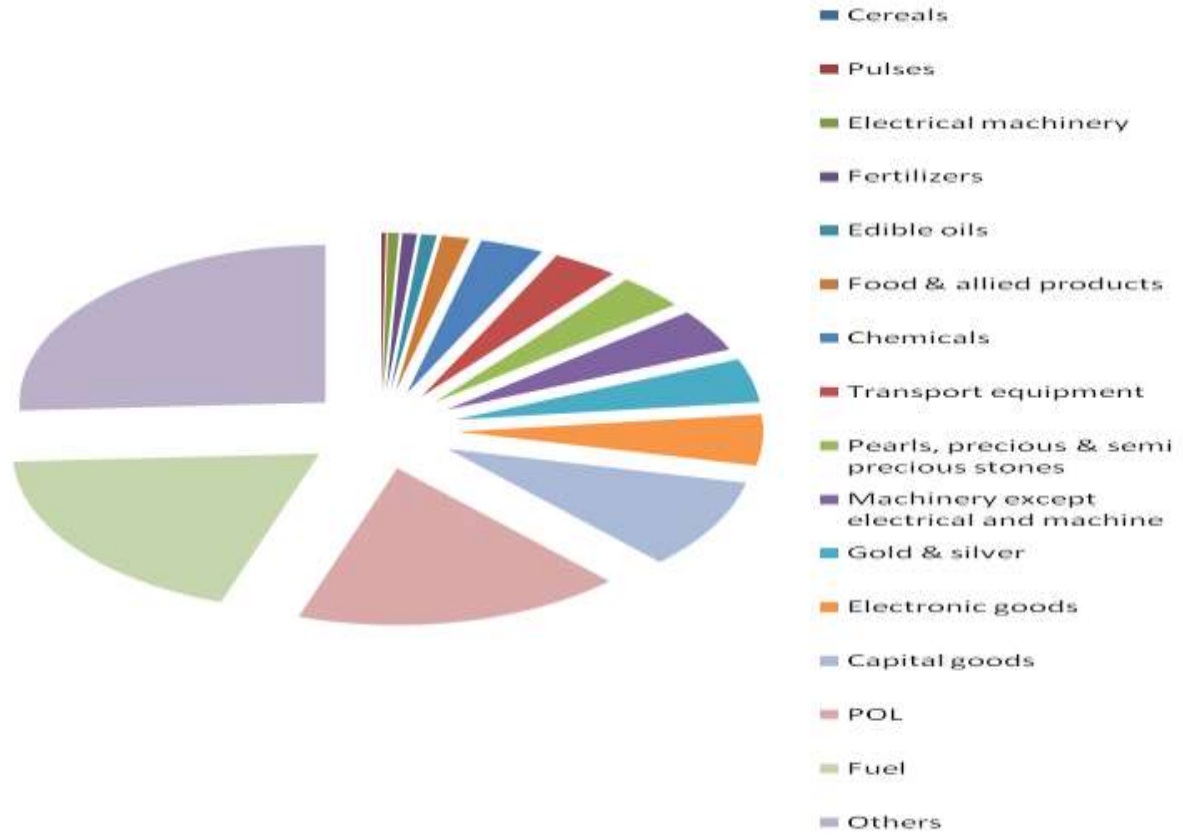
Capital goods	15.8	15.4	18.7	15.5	15.0
POL	29.5	30.8	31.7	30.1	30.2
Fuel	32.1	33.2	34.2	33.4	33.2
Others	43.7	43.8	38.9	40.0	42.6
Total	100.00	100.00	100.00	100.00	100.00

Source: Economic survey of Government of India from 2005-06 to 2009-10

The table -4 shows the commodity composition of India's imports from 2005-06 to 2009-10. During 2005-06 the commodity composition in imports of food and allied products was recorded as 2.5 per cent and in 2009-10 it increased to 3.7 per cent. In 2005-06 the imports of fuel products was recorded as 32.1 percent and in 2009-10 it increased to 33.2 per cent. In 2005-06 the commodity composition of import of fertilizers products was calculated as 1.3 per cent and in 2009-10 it significantly increased to 2.3 per cent. In 2005-06 the imports of pearls, precious and semi precious stones products have recorded 6.1 per cent and in 2009-10 it declined to 5.6 per cent. During the year, 2005-06 the imports of electronic goods products was calculated as 8.9 per cent and in 2009-10 it significantly declined to 7.3 per cent. In 2005-06 the import other products was calculated as 43.7 per cent and in 2009-10 it declined to 42.6 per cent. The figure- 4 illustrates Commodity composition of Imports in percent in the study periods.

Figure- 4

The Commodity Composition of Imports in percent from 2005-06 to 2009-10



FINDINGS

- In the study periods from 1995-96 to 2009-10, the trade balance was deficit.
- From 2008-09 to 2009-10 the trade balance deficit declined from – 1,19,520 to - 1,18,374 U.S. million
- During the study period (from 1995-96 to 2009-10) annual growth rate of export was recorded highest and it is calculated as 28.19 per cent during the period 2008-09.
- The decline of annual growth rates of exports was highest in 2009-10 and it is recorded as 0.56 per cent.
- The commodity composition of India's exports in percentage value of manufactured goods was highest in 2005-06 and it is calculated as 20.7 per cent.
- The commodity composition of India's imports in percentage value of Fuel commodity was the highest in 2005-06 it is calculated as 32.1 per cent.

SUGGESTIONS

- 1) The government has to take efforts to curtail the trade deficit in balance of payment. Otherwise once again we will go back to colonization.
- 2) Government policy or economic reforms should favour our nation in all spheres, namely, mobilization of foreign exchange, promotion of employment, increase of production and acceleration of economic growth rate.
- 3) People have to recognize the causes for deficit in balance of payment, especially oil pool deficit. They have to reduce the use of petrol/diesel driven vehicles, and use alternative vehicles, to save petrol/diesel.

CONCLUSION

After globalization the general trend in our external sector shows an increase in imports and a declining trend in exports. The agricultural sector shows poor performance. It is important on the part of the government to strengthen the external sector to promote India's export and to substitute its imports. The export industries must be given importance by way of giving subsidies and other promotion for their development.

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